

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Public Works	(2) MEETING DATE 6/18/2013	(3) CONTACT/PHONE John Waddell, Project Manager (805) 788-2713	
(4) SUBJECT Project status update and consideration of 1) approval of an agreement for professional engineering services with HDR Engineering for Construction Management of the Water Recycling Facility, in the amount of \$4,022,979; 2) approval of an amendment No. 6 with CDM Smith for Engineering Design Services during construction of the Collection System to increase the contract amount from \$4,902,430 to \$6,152,408; and 3) adoption of a resolution authorizing application for State Revolving Fund Loan, up to \$15,000, for Homeowner Mini-Loan Program for the Los Osos Wastewater Project, Los Osos. District 2.			
(5) RECOMMENDED ACTION It is our recommendation that your Honorable Board: 1. Accept the Project Status Update from staff; and 2. Approve the attached agreement for professional engineering services with HDR Engineering, Inc. in the amount of \$4,022,979 (\$3,657,254 fee estimate for basic services and \$365,725 as a contingency fund) for the construction management of the Water Recycling Facility and direct your Board Chair to execute; and 3. Approve the attached amendment No. 6 to the agreement for professional engineering services with CDM Smith, Inc. in the amount of \$1,250,000 (increasing the total authorized agreement amount from \$4,902,430 to \$6,152,408) for engineering design services during construction of the Collection System and direct your Board Chair to execute; and 4. Adopt the attached Resolution Authorizing Application for a State Revolving Fund Loan for up to \$15,000,000 to implement a Mini-Loan Program to assist individual homeowners with the costs of completing their on-lot sewer lateral connections to the project.			
(6) FUNDING SOURCE(S) Fund Center 430	(7) CURRENT YEAR FINANCIAL IMPACT \$5,272,979.00	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____ ) <input checked="" type="checkbox"/> Board Business (Time Est. <u>60 mins.</u> )			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)  19001289-HDR; 19001290-CDM		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP No	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A    Date: 11/6/12; Item #20	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) District 2 -			

Reference: 13JUN18-BB-1

## County of San Luis Obispo



TO: Board of Supervisors  
FROM: Public Works  
John Waddell, Project Manager  
VIA: Dave Flynn, Deputy Director of Public Works  
DATE: 6/18/2013

SUBJECT: Project status update and consideration of 1) approval of an agreement for professional engineering services with HDR Engineering for Construction Management of the Water Recycling Facility, in the amount of \$4,022,979; 2) approval an amendment No. 6 with CDM Smith for Engineering Design Services during construction of the Collection System to increase the Contract amount from \$4,902,430 to \$6,152,408; and 3) adoption of a resolution authorizing application for State Revolving Fund Loan, up to \$15,000, for Homeowner Mini-Loan Program for the Los Osos Wastewater Project, Los Osos. District 2.

### **RECOMMENDATION**

It is our recommendation that your Honorable Board:

1. Accept the Project Status Update from staff; and
2. Approve the attached agreement for professional engineering services with HDR Engineering, Inc. in the amount of \$4,022,979 (\$3,657,254 fee estimate for basic services and \$365,725 as a contingency fund) for the construction management of the Water Recycling Facility and direct your Board Chair to execute; and
3. Approve the attached amendment No. 6 to the agreement for professional engineering services with CDM Smith, Inc. in the amount of \$1,250,000 (increasing the total authorized agreement amount from \$4,902,430 to \$6,152,408) for engineering design services during construction of the Collection System and direct your Board Chair to execute; and
4. Adopt the attached resolution Authorizing Application for a State Revolving Fund Loan for up to \$15,000,000 to implement a Mini-Loan Program to assist individual homeowners with the costs of completing their on-lot sewer lateral connections to the project.

### **DISCUSSION**

On September 20, 2006, California State Governor Arnold Schwarzenegger signed Assembly Bill 2701 (Blakeslee) which allowed the County, at your Board's discretion, to assume responsibility for development of a wastewater project for the community of Los Osos. Since 2006, environmental

permits and funding approvals have been obtained and, on March 15, 2011, your Board adopted the Due Diligence resolution to assume responsibility for the project and proceed to project completion. The adoption of the Due Diligence resolution was to provide a basis for your Board's action on May 17, 2011, to approve the \$173 million project budget. The budget includes all costs and contingencies for the project, some of which will be funding by grants. The collection system portion of the project is currently in construction under three separate construction contracts. The final portion of the project to be constructed is the water recycling facility, which is in the final design phase, with the bidding process planned for September 2013.

The attached Project Status Update provides an overview of current and upcoming work efforts, budget considerations, and schedule projections. Additional discussion is anticipated during the status update presentation for this agenda item.

### Water Recycling Facility Construction Management – HDR Engineering

The water recycling facility is in the final design phase, with final plans and specifications due in August and initiation of the bidding phase to commence soon after. As a result, it is necessary to retain an engineering firm to provide comprehensive construction management (CM) services for this portion of the project, including a constructability review prior to completion of the final design. The constructability review will provide recommendations to increase efficiency and safety, reduce construction costs, reduce risks of contractor conflicts and produce the best bid results. The CM team will also outreach to the contractor (or construction) industry to increase interest in the project and competition at bid time.

A request for proposals (RFP) for construction management services for the water recycling facility was released by County Purchasing in February 2013. The RFP solicited proposals from professional engineering firms for comprehensive construction management services for the planned facility construction, including design constructability review, contract administration, inspection, testing, survey, dispute review, environmental compliance documentation, and post-construction warranty inspections. The County received five proposals, all from well-qualified firms. HDR Engineering, Inc. was selected for the project by the selection committee, in accordance with County Purchasing procedures.

It should be noted that the selection of HDR Engineering for CM services for the water recycling facility was made the by selection committee, independent of HDR's current involvement in the project as CM for the collection system. Consequently, this is not a sole source recommendation.

The approach outlined in the RFP, and in prior outreach to potential proposers, emphasized the need for a dedicated team of experts in treatment facility construction. As a result, there was no clear advantage for HDR in competing for this work and there was good competition from four other proposers. While HDR has an excellent team currently in Los Osos for the collection system CM services, if dedicated, full time, to that scope of work, is highly qualified for pipeline construction, and is not necessarily experienced with treatment facilities.

The selection of HDR for the treatment facility CM services was based on their superior qualifications and approach to the work. The proposed team is led by highly qualified and experienced engineers who have worked successfully on many similar treatment facility construction projects. In addition, the firm's overall level of experience and resources that are available to the project was considered in the selection process.

The form used for the engineering services is from the Engineering Joint Contract Document Committee (EJCDC). The EJCDC is a national organization of engineering and construction organizations that has developed standard contract documents for both public and private infrastructure projects, and use of their forms for this agreement is a condition of U.S. Department of Agriculture (USDA) funding. A key provision of using the EJCDC documents is that, since they are copyrighted, any changes to the agreement must be clearly shown in the final, executed version. As a result, the final agreement shows additions to the standard form as underlined and deletions as strikethrough text.

### Collection System Amendment for Engineering Services – CDM Smith

An engineering services agreement with CDM for design of the project collection system was approved by your Board on May 17, 2011. The total authorized amount of \$4,902,430 included up to \$1,463,190 for engineering services during and after the construction phase. As a result, an increase of \$1,250,000 is a significant increase for this phase of work. CDM completed the design portion of their work within the allowed budget and on schedule in order to meet strict construction deadlines established by conditions of the Coastal Development Permit and USDA funding. The scope of work for the construction phase includes regular site visits for observation of the work, review of contractor submittals and proposals, responding to requests for information, and processing design changes during construction. At the time of the agreement, the construction phase was planned to be completed within 24 months.

Since construction began in September 2012, the volume of submittals, requests for information and design changes has substantially exceeded the original estimates. The major source of increased work is associated with design changes primarily caused by two issues: lateral relocations requested by individual property owners and conflicts with underground utilities.

- P Lateral Change Requests: The location and depth of each sewer lateral at the property line of each residence was originally designed for the Los Osos Community Services District's 2005 project, with considerable input from property owners on their preferred location of the lateral. The approach to CDM's design was to utilize the prior design from the 2005 project as much as possible, while making changes required to comply with new permit conditions or other constraints. The lateral locations were subject to an engineering review to ensure that they would function properly. Additionally, the Public Works department had previously done a significant amount of public outreach related to on-lot lateral connections during the project development. After the start of construction, the project team began receiving an overwhelming volume of requests from property owners to confirm or relocate the lateral connect point. To date, there have been almost 600 requests to relocate laterals and it is estimated that more than 1,000 may be relocated by the completion of construction. The project team, including CDM, has worked to accommodate almost all of the requests, since this is the single interface that exists between the project and most properties.
- P Underground Utility Conflicts: The location of existing underground utilities, such as water lines, natural gas lines, and fiber optic cables, are provided by each utilities company. While the physical location of some of these utilities were confirmed by exploratory excavations (potholing) during the design phase, it was not feasible to physically locate all of these lines. The project plans show the location of each underground line, based on the information provided by the utility companies, and the construction contracts utilize a standard industry approach of requiring the contractors to pothole all utility crossing prior to laying new sewer

pipelines. In many cases, the information provided by the utility companies has been found to be incorrect and it has been necessary for CDM to change to sewer design to avoid conflicts with the existing utilities.

Consequently, in order to meet the County's project needs in a timely manner and avoid potential delays or other claims from contractors, CDM has been responsive to a wide range of issues during the first several months of construction. They have now completed more work than was anticipated in the original agreement amount for construction phase services and are providing an on-site field engineer to more efficiently process changes. Many of the construction start-up issues have been resolved and requests for lateral relocations have significantly reduced. As a result, the level of effort required from the designer is expected to begin decreasing as construction progresses. However, there is approximately 20 more months of construction ahead that requires continuing engineering services from the designer, although at a decreasing level of effort.

The requested amendment is necessary to continue CDM's construction phase services through the end of collection system construction in order to quickly respond to contractor requests, make design changes necessary to avoid contractor claims, and accommodate property owner requests to relocate their laterals. The not-to-exceed amount establishes a revised budget to meet the actual conditions encountered in construction and reflects a reduction in work effort as construction progresses.

#### Resolution for Mini-Loan Application

The attached resolution authorizes the application to the State Water Board's State Revolving Fund (SRF) loan program for up to \$15 million in low interest financing that can be provided to individual property owners in the form of a mini-loan program. This program is intended to mitigate affordability challenges faced by some property owners related to the costs of the on-lot work to abandon existing septic systems and connect individual sewer laterals to the project facilities.

The on-lot work is estimated to range from less than \$2,000 to more than \$10,000 (with a median cost of approximately \$2,500) for septic tank abandonment, installation of the sewer lateral, and restoration of landscaping, fences, driveways and walkways. These costs will be borne by the individual property owners and some may need to secure loans to pay for the expense. Implementation of a mini-loan program will allow the County to administer funds provided by the SRF program to property owners at a low interest rate for a 20 year term. The financing costs of this program are expected to be significantly less than could be obtained from private lending sources.

The attached resolution is the first step in the mini-loan process and allows the County to begin the process of securing the SRF loan funding. Staff must also develop guidelines for implementing and administering the program and must return to your Board, in the future, for final direction and authorization to proceed with providing financing to individual property owners.

#### **OTHER AGENCY INVOLVEMENT/IMPACT**

County Counsel is providing legal guidance on all aspects of the project and has approved the attached action items as to legal form and effect. The USDA and State Water Board are jointly financing the project and provide oversight of engineering and consulting agreements. Numerous other County departments and local agencies are involved in other project related efforts.

## **FINANCIAL CONSIDERATIONS**

The recommended agreement and amendment are for services necessary and planned for the completion of the project. The costs, including contingencies, are included in the project budget, which was approved by your Board on May 17, 2011. A budget status update is attached as Exhibit "A," and a comparison of changes to the last budget status update provided to your Board is attached as Exhibit "B."

## **RESULTS**

Approval of the recommended actions will continue progress toward a community wastewater project for Los Osos by retaining an engineering design consultant necessary to complete the construction of the project and providing financial assistance property owners in the community.

File: Los Osos WWP 300448.00.1.4

Reference: 13JUN18-BB-1

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## **ATTACHMENTS**

1. Exhibit A - Budget Status Update
2. Exhibit B - Budget Comparison
3. Project Status Update
4. Agreement for Professional Engineering Services with HDR Engineering
5. Amendment No. 6 to Agreement for Professional Engineering Services with CDM Smith
6. Resolution Authorizing Application for a State Revolving Fund Loan